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§16–406.

(a) (1) Each participating annuity contract and each participating pure endowment contract shall contain a provision that:

(i) each year the insurer shall determine and apportion any divisible surplus under the contract that will accrue on the contract anniversary or other dividend date specified in the contract; and

(ii) the dividends arising from the apportionment shall be credited each year beginning not later than the end of the third contract year.

(2) The payment of any dividend payable on or after the end of the third contract year may not be made contingent on the payment of any consideration due on or after the date when the dividend becomes payable.

(b) (1) Each contract shall contain a provision that the party entitled to the dividend may elect to have the dividend paid in cash or applied to the payment of any consideration then due.

(2) Each contract shall contain a provision that a specified option becomes effective unless the party entitled to the dividend notifies the insurer in writing of election of a different option within 30 days after the date on which the dividend is payable.

(c) A deferred annuity contract need not provide for participation in surplus after annuity payments begin.

(d) This section does not prohibit an insurer from granting to the party entitled to the dividend the right to elect another dividend option offered by the insurer in addition to the options required by this section, whether or not the additional option is specified in the contract.

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